

PUBLIC DISCLOSURE

NOVEMBER 15, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NEEDHAM BANK

CERT #: 26483

**1063 GREAT PLAIN AVENUE
NEEDHAM, MA 02492**

**Division of Banks
1000 Washington Street, 10th floor
Boston, MA 02118-6400**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **NEEDHAM BANK (or the "Bank")**, prepared by the Division, the institution's supervisory agency as of **November 15, 2010**. The agency evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income individuals and neighborhoods, in a manner consistent with its resources and capabilities.

Intermediate Small Bank CRA procedures were utilized for the evaluation. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

***Lending Test:* The Lending Test is rated "Satisfactory."**

- The Bank's loan-to-deposit ratio is more than reasonable given the institution's size and assessment area credit needs.
- The Bank's lending reflects an adequate responsiveness to its assessment area's credit needs. A majority of the Bank's residential loans originated during the examination period were inside the assessment area.
- The Bank demonstrates a reasonable level of lending to individuals of different income level and businesses of revenue levels.
- The geographic distribution of the Bank's loans reflects a reasonable dispersion throughout the assessment area. The Bank's assessment area does not contain low- or moderate-income geographies.
- The Bank has not received any CRA-related complaints.

Community Development Test: The Community Development Test is rated
“Satisfactory.”

- Needham Bank’s extension of community development loans in the assessment area is considered adequate given the limited community development opportunities available.
- Qualified investments mainly consist of donations and are marginally satisfactory.
- Services include participation in community organizations, first time homebuyer education programs and convenient banking services. All community development services are considered reasonable.

SCOPE OF THE EXAMINATION

Intermediate Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. This evaluation considered the Bank's lending and community development activities for the period of October 21, 2008 through November 22, 2010. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Through discussions with management and a review of the Bank's loan portfolio composition, it was noted that the Bank is primarily a residential real estate lender. Based on discussions with management regarding the Bank's business focus and the composition of the portfolio during the evaluation period, more weight is assigned to the Bank's residential lending performance for rating purposes.

The Lending Test focused on home mortgage and small business lending. Home mortgage and small business data analyzed included full-year data from January 1, 2009 through September 30, 2010. Information concerning home mortgage lending was derived from the Loan Application Registers ("LAR") maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancing of one- to four-family and multifamily (five or more units) properties. Information concerning small business lending was derived from small business loan data collected at the Bank. The loan data collected contain information on commercial loans that are secured by non-farm/non-residential properties originated with original balances of \$1 million or less.

Home mortgage lending for 2009 and year to date September 30, 2010 are presented in the Geographic Distribution and Lending to Borrower's of Different Incomes tables. The Bank's lending performance in 2009 is emphasized and served as the main focus as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area.

The 2009 and year-to-date September 30, 2010 small business lending are referenced in the narrative. As an Intermediate Small Bank, small business loans are not required to be reported by the Bank. Comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders' are much larger institutions required to report CRA small business data. Instead, the Bank's 2009 small business lending performance is compared to pertinent 2009 business demographic information.

The Community Development Test included community development loans, investments, and services for the period of October 21, 2008 through November 15, 2010. Community development grants and qualified equity investments for the same time period were also included.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the December 31, 2008 through September 30, 2010 Federal Financial Institution Examination Council ("FFIEC") Report of Condition and Income (Call Reports).

PERFORMANCE CONTEXT

Description of Institution

Needham Bank is a state-chartered, mutually-owned bank, incorporated under the laws of the Commonwealth of Massachusetts in 1892. The main office is located at 1063 Great Plain Avenue in Needham, Massachusetts. In addition to its headquarters and main branch, the Bank operates four additional full-service branches in Dedham, Medfield, Wellesley, and Westwood.

Needham Bank is a full-service financial institution that offers a variety of products and services. Home loan products for the purchase, refinance, or construction of residential property include both fixed and adjustable rate mortgage loans. Commercial loan products include fixed and variable loans, lines of credit, letters of credit, and commercial real estate loans. Consumer loan products are generally limited to passbook secured loans and home equity lines/loans.

As of September 30, 2010, the Bank's asset size was \$1,148,643,000 with gross loans of \$957,121,000 or 83.3 percent of total assets. The Bank has experienced substantial growth in assets since the last evaluation conducted concurrently by the Division and Federal Reserve Bank of Boston ("Reserve Bank") as of October 20, 2008. Since the last evaluation, total assets have increased 43.1 percent from \$803 million to the current level. During this time, there was a significant increase in the loan portfolio.

Refer to Table 1 for information regarding the composition of the loan portfolio.

Table 1		
Loan Portfolio Distribution as of 09/30/2010		
Type of Loans	\$(000)	% Total
Construction & Land Development		
a. 1-4 Family	164,025	17.1
b. Other construction and land loans	37,098	3.9
1-4 Family		
a. First Mortgages	544,237	56.9
b. Home Equity Lines	47,776	5.0
c. Junior Liens (Second Mortgages)	2,481	0.3
Multifamily residential properties	25,266	2.6
Nonfarm non-residential properties	101,866	10.6
Commercial & Industrial Loans	17,229	1.8
Consumer Loans		
a. Other revolving credit plans	12,403	1.3
b. Other consumer Loans	2,296	0.2
Other Loans	2,449	0.3
Any unearned income on loans	(5)	0.0
Gross Loans	957,121	100.0

Source: Reports of Income and Condition (Call Report)

As shown in Table 1, the Bank is a strong residential real estate lender. Residential real estate loans, including revolving one-to-four family loans, one-to-four family residential loans, and multi-family residential loans, comprise 64.8 percent of the loan portfolio.

Construction and land development loans and commercial real estate loans comprise 17.1 percent and 10.6 percent of the loan portfolio, respectively.

Needham Bank is an active residential lender. *Banker & Tradesman* reported that the Bank was the number two lender of jumbo purchase residential loans in the state for 2009. As Needham Bank's assessment area is largely affluent, its niche continues to be providing jumbo loans and high-end residential developer loans to accommodate its borrowers. Loans to purchase second homes for vacation and investment purposes are also in high demand for Needham Bank's customers. In addition to its residential offerings, the Bank provides commercial and consumer loan products to serve the local community. Small business loans are also extended to help businesses with their financial needs.

Needham Bank partners with several non-profits and state sponsored organizations that share a common goal to serve and assist the needs of low- and moderate-income individuals. The Bank continues to work with the Massachusetts Affordable Housing Alliance (MAHA) to provide funding for first time homebuyers. MAHA helps low- and moderate- income first time buyers achieve homeownership with their first and "soft second" loan programs. Further, as a member of the Senior Housing Crime Prevention Foundation, the Bank addresses safety for low- and moderate-income seniors.

As of June 30, 2010, Needham Bank ranked third for deposit market share within its assessment area, with 15.67 percent of the market share. Bank of America was first with 21 percent of the market share and RBS Citizens, NA was second with 15.75 percent. Middlesex Savings Bank and Dedham Institution for Savings placed fourth and fifth with 13.33 percent and 12.31 percent respectively.

The Division and the Reserve Bank evaluated the Bank's CRA performance on October 20, 2008, and both assigned a rating of "Satisfactory." At the time of the evaluation, the Bank was examined using the Intermediate Small Bank CRA evaluation procedures.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the assessment area's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area by which its CRA performance will be evaluated. Needham Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geography where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank has defined its assessment area to include the eight towns located in Middlesex and Norfolk County, in Massachusetts. Listed below are the communities that comprise the assessment area grouped by the Metropolitan Statistical Area (“MSA”) in which they are located:

- Boston-Quincy (14484), MA MSA: Dedham, Dover, Medfield, Needham, Wellesley, and Westwood. (Located in Norfolk County.)
- Cambridge-Newton-Framingham (15764), MA MSA: Natick and Weston. (Located in Middlesex County.)

Demographic Data by Census Tract

According to 2000 Census Data, the assessment area consists of 31 census tracts. Of this total, 8 or 25.8 percent are middle-income and 23 or 74.2 percent are upper-income. There are no low- or moderate-income census tracts in the Bank’s assessment area.

Refer to Table 2 below for pertinent demographic information concerning the assessment area.

Table 2 Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	31	0.0	0.0	25.8	74.2
Population by Geography	154,575	0.0	0.0	24.3	75.7
Owner-Occupied Housing by Geography	44,945	0.0	0.0	23.6	76.4
Business by Geography	8,669	0.0	0.0	22.3	77.7
Family Distribution by Income Level	40,936	8.5	10.6	16.6	64.3
Distribution of Low and Moderate Income Families throughout AA Geographies	7,943	0.0	0.0	39.6	60.4

Source: 2000 US Census and 2007 Dun and Brad Street Business Data

Population/Income Characteristics

Based on the 2000 Census Data, the total population for the assessment area is 154,575 and is distributed as follows: 24.3 percent in middle-income tracts and 75.7 percent in upper-income tracts. The distribution of the 55,688 households among the census tracts in the assessment area shows 14.0 percent are considered low-income; 10.3 percent are moderate-income; 14.7 percent are middle-income; and 61.0 are upper-income; 3.7 percent of households in the assessment area live below the poverty level. The assessment area is situated in the Boston-Quincy, MA and the Cambridge-Newton-Framingham, MA MSAs. Based on U.S. Department of Housing and Urban Development (HUD) estimates, the median area family incomes (MFIs) for the Boston-Quincy, MA MSA were \$83,900 and \$85,200, respectively for 2009 and 2010. For the Cambridge-Newton-Framingham, MA MSA, the MFIs were \$97,100 and \$98,700, respectively for the same time period.

Housing Characteristics

According to the 2000 Census Data, there are 57,016 housing units in the assessment area. Of the total housing units, 78.8 percent are owner-occupied; 18.8 percent are renter-occupied; and 2.4 percent are vacant. The median housing value in 2000 for the assessment area was \$393,229. Like much of New England, the area's housing stock saw dramatic increases in value. Recent statistics published by the Warren Group show, for instance, that the median home sales prices in the Bank's assessment area range from a low of \$367,750 in Dedham to a high of \$1,190,000 in Weston. The average median home sales price for the assessment area was \$689,825. This comparison shows that housing prices in the assessment area have increased significantly over the past decade, which presents an obstacle to low- and moderate-income individuals attempting to achieve homeownership within the assessment area.

Business Characteristics and Employment Statistics

According to a 2008 Dun and Bradstreet analysis, there are 9,277 businesses located within the assessment area. Small business organizations with recorded gross annual revenues of less than or equal to \$1 million comprise the majority of businesses in the assessment area at 88.6 percent. The leading industries in the area are retail, technology, financial, and health care. Two fortune 500 companies, BJ's Wholesale Club and Boston Scientific, are headquartered within the Bank's assessment area in Natick. Other large employers in the assessment area are Harvard Pilgrim and Sun Life. Several towns in the assessment area are flourishing with high-end retail stores, restaurants and office parks.

Residential Loan Market Share Statistics

The Bank operates in a competitive market area in terms of financial services. The Bank competes for residential loans with many commercial banks, savings banks, credit unions, and mortgage lenders that operate in the area. Among the more prominent mortgage lenders competing with the Bank are CitiMortgage, Inc., Citizens Bank, Mortgage Master, Inc., Bank of America, Wells Fargo Bank, Sovereign Bank, and JPMorgan Chase Bank. According to a 2009 market share report, Needham Bank captured 1.19 percent of the overall market by loan volume and was ranked 22nd. In 2009, 319 lenders reported a total of 14,233 residential mortgage loans originated within the Bank's assessment area. The Bank's locally based competitors are Dedham Institution for Savings, Middlesex Savings Bank, and Wellesley Bank.

As part of the CRA examination process, examiners met with a community contact that assists in the housing needs of the residents of Needham. The organization provides services to the elders of the community and organizes a food pantry for those in need. The contact identified several areas of community need, including services for the growing elderly population. Although much is left to be accomplished, the contact expressed the willing participation of local financial institutions to provide funding and support for need based programs and special projects.

PERFORMANCE CRITERIA

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and the response to CRA-related complaints. The Community Development Test considers qualified community development loans, investments and donations, and services.

LENDING TEST

1. LOAN TO DEPOSIT ANALYSIS

An analysis of the Bank's net LTD ratio was performed. The calculation incorporated twelve quarters of the Bank's net loans to total deposit figures as reflected in the Bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The quarters reviewed included the periods from December 31, 2008 through September 30, 2010. The Bank's net LTD ratio has averaged 119.4 percent over the twelve quarters under review. A comparison of the dollar amount for the Bank's loans and deposits as of December 31, 2008 was compared to that of September 30, 2010. This comparison revealed that net loans have increased by approximately 24.2 percent, while deposits for the same period have increased by 43.8 percent. On several occasions during the evaluation period, the Bank offered promotional rates on specific deposit and loan products that drive business and increase overall asset growth.

Table 3		
Net Loan-to-Deposit Ratios		
Institution	Total Assets* (000s)	Net LTD Ratio*
<i>Needham Bank</i>	\$1,148,643	113.1%
Wellesley Bank	\$256,673	95.0%
Dedham Institution for Savings	\$1,057,685	77.8%
Middlesex Savings Bank	\$4,046,313	61.0%

Source: Reports of Condition and Income

* As of 09/30/2010

Table 3 shows that the net LTD ratios for Needham Bank are currently in the higher range among its local competitors, as well as for the average of twelve quarters.

The Bank's net loan-to-deposit ratio declined from a high of 131.0 percent in December 31, 2008 to a low of 113.1 percent on September 30, 2010. However, these percentages are still considered high. The Bank recently began selling loans to Greenfield Savings Bank. As of August 30, 2010, Needham Bank sold 32 loans totaling \$23,607,314. The Bank is a member of the Federal Home Loan Bank system and borrows funds to support additional loan commitments. This is reflected in the high net loan to total deposit ratio.

Based on the above information and Needham Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan-to-deposit ratio is more than reasonable.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion determines what percentage of the Bank's home mortgage and small business lending occurs within the assessment area and evaluates its appropriateness.

Home Mortgage Loans

Needham Bank's 2009 and year-to-date September 30, 2010 HMDA LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 319 residential loans totaling \$210,938,000 within its assessment area. By number and dollar amount, this represented 57.4 percent and 65.2 percent, respectively.

Table 4										
Distribution of Loans Inside and Outside of Assessment Area										
Year	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000's)	%	\$	%	
2009	167	57.2	125	42.8	292	106,423	64.3	59,043	35.7	165,466
2010*	152	57.6	112	42.4	264	104,515	66.1	53,520	33.9	158,035
Totals	319	57.4	237	42.6	556	210,938	65.2	112,563	34.8	323,501

Source: HMDA LAR for 2009.

*HMDA LAR year-to-date September 30, 2010

Small Business Loans

The Bank's 2009 and year to date September 30, 2010 small business loans were reviewed to determine the amount of credit extended within the Bank's assessment area. The Bank originated 29 small business loans totaling \$5,318,000 in the assessment area during the evaluation period. By number and dollar amount, this represented 63.1 percent and 61.5 percent, respectively. It should be noted that the Bank is primarily a residential real-estate lender.

The Bank's level of lending within its assessment area is considered to be adequate and reflects the Bank's willingness to lend within its assessment area.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

The distribution of loans by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses and evaluate its appropriateness.

Home Mortgage Loans

An analysis of HMDA reportable lending within the Bank's assessment area, among various income levels was performed to assess how well the Bank is addressing the credit needs of the area's residents.

For an analysis of all residential loans to borrowers of various income levels, originations were categorized by the applicant's reported incomes as they are categorized under the 2009 and 2010 estimated median family incomes as detailed in the description of the assessment area.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Table 6								
Residential Loan Distribution by Borrower Income								
Income Level	% of Total Household	2009		2009 Aggregate	2010*		Bank Total	
	%	#	%	%	#	%	#	%
Low	14.0	3	1.8	1.5	5	3.3	8	2.5
Moderate	10.3	7	4.2	8.0	7	4.6	14	4.4
Middle	14.7	23	13.8	16.9	16	10.6	39	12.2
Upper	61.0	124	74.2	60.4	113	74.3	237	74.3
N/A	0.0	10	6.0	13.2	11	7.2	21	6.6
TOTAL	100.0	167	100.0	100.0	152	100.0	319	100.0

Source: 2009 HMDA data and 2009 Aggregate

*year-to-date September 30, 2010 HMDA.

As shown in Table 6, the percentage of home loans originated by the Bank to low-income borrowers during 2009 is similar to the percentage of loans reflected in the aggregate data for the same income category and time period. It is noted that the percentage of lending to low-income borrowers is lower than the percentage of low-income households in the area. This is expected due to the high cost of housing and the fact that a segment of this category (3.7 percent of total households) is below the poverty level.

In 2009, lending to moderate-income borrowers is below the percentage of aggregate lending to moderate-income borrowers and is also below the percentage of moderate-income households residing in the assessment area.

Small Business Lending by Revenue and Loan Amount

Needham Bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. A small business is defined as one with gross revenues of \$1 million or less. Loans originated from September 30, 2008 through September 30, 2010 were reviewed during the exam. By number, 62 percent of the Bank's commercial loans were made to businesses with revenues of \$1 million or less. The Bank's performance is consistent with the percentage of businesses in the assessment area that are considered small businesses (88.6 percent).

An analysis was also conducted based on loan amount. Smaller dollar amount loans are used as a proxy for a Bank's willingness to lend to small businesses. Needham Bank originated 76.7 percent of its commercial loans in an amount less than or equal to \$250,000. Specifically, 36.7 percent of commercial loans extended were less than \$100,000 and 40 percent ranged from \$100,000 to \$250,000.

Needham Bank's record of lending among borrowers of different income levels and businesses of different revenues based on the area's demographics and/or a comparison to aggregate lending data is considered to be adequate and reflects the Bank's willingness to lend to borrowers of all income levels and businesses of different revenue sizes.

4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. Since the census tracts that make up the assessment area are exclusively middle- and upper-income, less weight is placed on this criterion and more emphasis is given to the analysis of lending by borrower income and business revenue.

Home Mortgage Loans

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by census tract income level. As noted previously, there are no low- or moderate-income census tracts in the assessment area. Table 7 shows the Bank originated 9.6 percent of loans to middle-income geographies in 2009. That percentage is much lower than that reflected by the aggregate data and the percentage of owner-occupied housing units within those geographies. A combination of competition and the fact that low- and moderate-income households comprise 33.1 percent of all households in middle-income geographies compare to only 20.9 percent in upper-income geographies potentially limits the Bank's lending opportunities in those middle-income geographies.

Table 7 Residential Loan Distribution by Tract Income Level								
Tract Income	% of Owner-Occupied Housing	2009		2009 Aggregate	2010*		Bank Total	
	%	#	%	%	#	%	#	%
Middle	23.6	16	9.6	20.7	27	17.8	43	13.5
Upper	76.4	151	90.4	79.3	125	82.2	276	86.5
TOTAL	100.0	167	100.0	100.0	152	100.0	319	100.0

Source: 2009 and year to date September 30, 2010 HMDA LAR, 2009 HMDA aggregate data, and the 2000 U.S. Census Data

Small Business Loans

A similar review of the Bank's commercial loans originated from September 30, 2008 through September 30, 2010 was performed. The geographic distribution of commercial loans indicates a reasonable penetration throughout the assessment area.

Overall, the Bank's record of home mortgage and small business lending to different geographies is considered adequate.

5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

The community development test measures an institution's assessment of the needs in its community, its engagement in different types of community development activities based on those needs and the institution's capacities, and its reasonable steps taken to apply its community development resources strategically to meet those needs. During the course of this examination, community development lending, qualified investments, and community development services were evaluated. As part of the analysis, the Bank's effort to identify community development opportunities given the composition of the census tracts in its assessment area is considered.

Community Development Lending

The community development loans extended by Needham Bank were evaluated during the examination. By definition, a community development loan is a loan that has community development as its primary purpose and has not been reported or collected by the Bank or an affiliate for consideration in the Bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan. For the period under review, the Bank originated qualified community development loans which are detailed below:

- \$500,000 was advanced to the Senior Housing Crime Prevention Foundation which provides affordable housing, safety and crime prevention for low-and moderate-income seniors.
- First mortgage financing was provided to Wellesley Commons, LLC, for its development that includes an affordable housing unit for \$125,000.
- A \$50,000 line of credit was extended to MAHA, a non-profit organization that provides homeownership education.
- Financing of \$960,000.00 was provided to 20 Springdale Ave., LLC for the affordable housing units designated for this new construction.
- A \$380,000.00 loan was extended to Craftsman Village Needham, LLC for the affordable housing units that were included in this development.

Considering the needs and opportunities in the community, the Bank provided an adequate level of community development loans in its assessment area.

Qualified Investments

The institution's record of meeting the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The following criteria were evaluated: (1) the dollar amount of qualified investments; (2) the responsiveness of qualified investments to credit and community development needs; and (3) the degree to which the qualified investments are not routinely provided by private investors.

Needham Bank contributes to economic, educational and social organizations in its assessment area by making charitable donations. During the period under review, the Bank contributed \$7,990 to community organizations for community development purposes. Recipients of these funds include the Dedham Food Pantry, H.O.M.E., Medfield Council on Aging, and Friends of Needham Council on Aging. This level of contribution is considered somewhat reasonable.

In addition to donations, the Bank made a qualified investment with a community development purpose. A \$500,000 investment was made by Needham Bank to the Senior Housing Crime Prevention Foundation Investment Corporation which, as previously identified in the lending section, is an organization that supports safe and affordable housing for the elders.

Services

The institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent of its community development services was evaluated as part of the examination.

Accessibility of Branches

Needham operates five full service offices; all are located in upper-income census tracts within the assessment area. The Bank's branch offices are readily accessible to the assessment area, all have ATM access and two branches offer drive-up windows. Teller services are conveniently available at 7AM at all locations. In addition, Needham Bank's tellers are fluent in several foreign languages, which is advantageous to Bank customers. Some of the languages in which the tellers are proficient are: Armenian, Russian, and Chinese.

Availability of Delivery Systems

The Bank offers services that meet the needs of its community, including low- and moderate-income borrowers. Needham Bank's deposit products include checking and savings accounts, certificates of deposit and IRA accounts. Loan services include residential loans, construction loans, home equity lines, small business loans and commercial real estate loans. In addition, Needham Bank services are readily available 24 hours a day through telephone banking and on-line personal banking. Telephone services enable customers to retrieve balances and transfer funds. On-line banking permits customers to pay bills, view account activities, print statements, transfer funds and e-mail the Bank. ATM service is available at each branch location.

Changes in Branch Locations

The Bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to low- and moderate-income individuals. Since the previous examination, the Bank has not closed any branch offices in the assessment area.

Community Development Services

Needham Bank provides community development services throughout its assessment area. Several Bank personnel are involved with organizations that have a community development purpose. Bank employees have provided financial expertise, led fundraising efforts and offered financial education to low- and moderate-income individuals. The Bank promotes community development opportunities that foster economic development, affordable housing, or social services to low- or moderate-income persons. These organizations include: Needham Opportunities Inc., Medfield Housing Authority, Needham Exchange Club, Southwest Affordable Housing Partnership (SWAHP) and Dedham Housing Authority. Needham Bank also provides homeownership education seminars to assist potential first time homebuyers.

Flexible Lending

Needham Bank provides residential lending products that are designed to accommodate low- and moderate-income individuals. The Bank's first-time homebuyer loan has reduced closing costs, low down payment requirements and financing up to 90% LTV without private mortgage insurance (PMI). As of September 30, 2010 the Bank originated 25 residential loans to first time home buyers, totaling approximately \$13 million.

The Bank is also a participating lender in the Massachusetts Housing Partnership's SoftSecond Loan Program which assists first time homebuyers in obtaining financing. The program only requires a down payment of three percent without the burden of PMI.

In light of the investment opportunities and level of competition in the assessment area, Needham Bank's community development performance displays adequate responsiveness to the community development needs of its assessment area through community development loans and loan programs, qualified investments, and community development services, as appropriate.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has an informal program of taking a second look at residential real estate, small business and commercial loans that are slated for denial. A secondary review of adverse action decisions are completed by the Bank's Vice President of Lending.

The Bank's fair lending policy is incorporated in the loan policy. In addition, the Bank has an ongoing fair lending training program for its employees and Board of Directors. The Board of Directors receives training in fair lending through a combination of seminars and webinars. In addition, new and current employees are required to take an online fair lending and CRA tutorial that is monitored by Bank management. The Bank has fourteen employees who speak a second language. These bi-lingual employees are available to assist non-English speaking customers and potential customers.

A review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

MINORITY APPLICATION FLOW

The population of the Bank's assessment area is 7.9 percent minority. Of the 7.9 percent, approximately 25.1 percent are from low- and moderate-income households. The 2009 and year to date September 30, 2010 HMDA LAR shows that Needham Bank received 375 HMDA reportable applications within its assessment area. During this period, 30 applications or 8.0 percent were received from minorities. Of these 30 minority applications, 27 were approved, two were approved not accepted, and one was withdrawn. Two applications were received from individuals of Hispanic or Latino ethnic backgrounds and were approved in 2009. Also included in the table is the 2009 aggregate data (exclusive of the Needham Bank) in comparison to the Bank's data. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

Refer to the following table for information on the minority application flow as well as a comparison with the aggregate throughout the Bank's assessment area.

Table 7 MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	15	0.1	0	0.0	0	0.0
Asian	9	4.6	898	5.2	9	5.1	18	4.8
Black/ African American	4	2.0	106	0.6	2	1.1	6	1.6
Hawaiian/Pac Isl.	0	0.0	14	0.1	0	0.0	0	0.0
2 or more Minority	0	0.0	6	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	3	1.5	214	1.2	3	1.7	6	1.6
Total Minority	16	8.1	1,253	7.2	14	7.9	30	8.0
White	151	76.7	11,441	65.8	141	79.2	292	77.9
Race Not Available	30	15.2	4,695	27.0	23	12.9	53	14.1
Total	197	100.0	17,389	100.0	178	100.0	375	100.0
ETHNICITY								
Hispanic or Latino	2	1.0	160	0.9	0	0.0	2	0.5
Not Hispanic or Latino	163	82.7	12,315	70.8	153	86.0	316	84.3
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	118	0.7	0	0.0	0	0.0
Ethnicity Not Available	32	16.3	4,796	27.6	25	14.0	57	15.2
Total	197	100.0	17,389	100.0	178	100.0	375	100.0

Source: 2009 and 2010 HMDA/ LAR, 2009 HMDA Aggregate Data

The Bank's performance compares favorably with the aggregate and is considered reasonable.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 1063 Great Plain Avenue, Needham, MA 02492."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.